

AUSSIERS AIM FOR \$375M COAL PLANT

By Matthew Brown and Kahrin Deines

An Australian company is proposing a \$375 million coal plant in southeastern Montana that would produce high-efficiency coal and synthetic crude oil.

Executives of Ambre Energy said Tuesday that the project would produce up to 4.4 million tons annually of coal that had been stripped of moisture to increase its energy content. The plant also would make 1.6 million barrels annually of synthetic crude.

Company representatives said the processed coal would cut greenhouse gas emissions by at least 10 percent by giving utilities a hotter-burning product, known as char, that generates the same amount of electricity with less fuel.

Ambre Energy Chairman Michael Mewing declined to say which Montana mine would be the source for the coal. He said contract negotiations were nearly complete.

Contract pursuit

Gov. Brian Schweitzer confirmed that the company is pursuing a contract with a mine in Montana's Powder River Basin, which straddles the Wyoming border.

That narrows down the list of potential sites to mines around Decker, Colstrip and Hardin. Of those, only one is currently idle: the East Decker Mine, owned by the Kiewit Company of Omaha, Neb., said Bud Clinch with the Montana Coal Council.

Clinch said East Decker already has a mining permit, rail lines and other infrastructure that would be critical to getting an operation going quickly.

"You've got a big jump over starting a new operation," he said.

Schweitzer said the project has the potential to make Montana more competitive with Wyoming, which leads the nation in coal production with more than 400 million tons mined annually.

"We can take coal worth \$10 a ton and make it worth \$200 a ton," he said.

Montana has the largest recoverable coal reserves in the nation, but last year produced only about 45 million tons.

The proposed plant would heat coal to 1,000 degrees Fahrenheit to remove almost all of the moisture from the fuel. That would make it comparable in terms of its heat value

with more expensive Appalachian coal.

Ambre Energy's long-term plan is to produce at least 17 million tons of high-efficiency coal in Montana annually.

"We're going to buy at least 5 million tons annually from someone for the next 30 years - and that's just phase one," said Ambre Energy representative Will Sarunic. "The endgame is not the first stage, it's 17, 18 million tons a year."

Ambre Energy is based in Brisbane, Australia, and has an office in Salt Lake City.

Construction on the project would begin in 2010. Completion of the plant, which would require 600 people to build and 60 to operate, is projected for the second quarter of 2011.

Federal loan guarantee needed

Key to that timetable will be the company's success in landing a federal loan guarantee that would back 80 percent of the project's \$375 million price tag cost with taxpayer money.

Across the country, private financiers have been reluctant to sink money into coal projects, because of the high potential cost of meeting future restrictions on greenhouse gases. Loan guarantees would reduce the risk faced by any would-be lender.

The guarantees sought by Ambre would come through a \$10 billion U.S. Department of Energy program announced last year. The program is meant to encourage renewable energy and other technologies that can reduce emissions of greenhouse gases and other pollutants.

Sarunic said the Ambre plant offers a quicker path toward reducing coal plant emissions than other technologies, many of which have proved too expensive for widespread commercial use.

"What we are talking about here is not changing the power generation end of the industry. What we're talking about is changing the fuel they use," he said.

Applications for the DOE loan program are due Feb. 26. A DOE spokesman declined to say when loan guarantees would be awarded.